

Dawgen

GLOBAL

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DAWGEN
GLOBAL
INSIGHTS

INTRODUCTION TO OUR MONTHLY NEWSLETTER - DAWGEN GLOBAL INSIGHTS

Welcome to Dawgen Global and our May 2020 edition of our Monthly Newsletter-Dawgen Global Insights.

This Newsletter has been produced to provide you with an overview of our firm and the wide range of services offered by Dawgen Global entities; whether audit, accounting, tax or advisory services.

Over the past 17 years, I can proudly say that Dawgen has significant experience and expertise that we draw upon, day after day, helping our clients to progress.

Our Monthly Newsletter will demonstrate the strength of our firm and the unique and innovative approach we engender. This is communicated through client case studies on how our team have collaborated to help our clients succeed.

This issue of Dawgen Global Insights explores several management tools and strategies including Digital Transformation Governance, Strategy Development Responding to COVID-19 and Financial Resilience Guide.

The constantly evolving digital landscape necessitates executives to dynamically design and govern their portfolio of Digital Initiatives. Based on a study of more than 100 companies on their digital challenges and interviews with 55 digital executives, we have distilled out 7 key governing principles that link Digital Transformation to impactful success.

COVID-19 is shaping a “New Normal”—a Low Touch Economy that requires a strategic response. The world is changing. Forced isolation and social distancing restrictions have been put into place with the advent of the COVID-19 health crisis. This is not expected to end soon but is expected to have a lasting effect on the world. In fact, a new generation of consumer behaviors is already being shaped. We explore the Strategy Development response necessary in this edition of Dawgen Insights.

Tackling the Low Touch Economy requires setting up a new economy growth initiative. In a Low Touch Economy, we are in store for a period of rapid learning, marked by plenty of ups and downs and economic uncertainty.

I hope that you will find the information we provide in this Newsletter helpful.

Dawkins Brown
Executive Chairman
Dawgen Global





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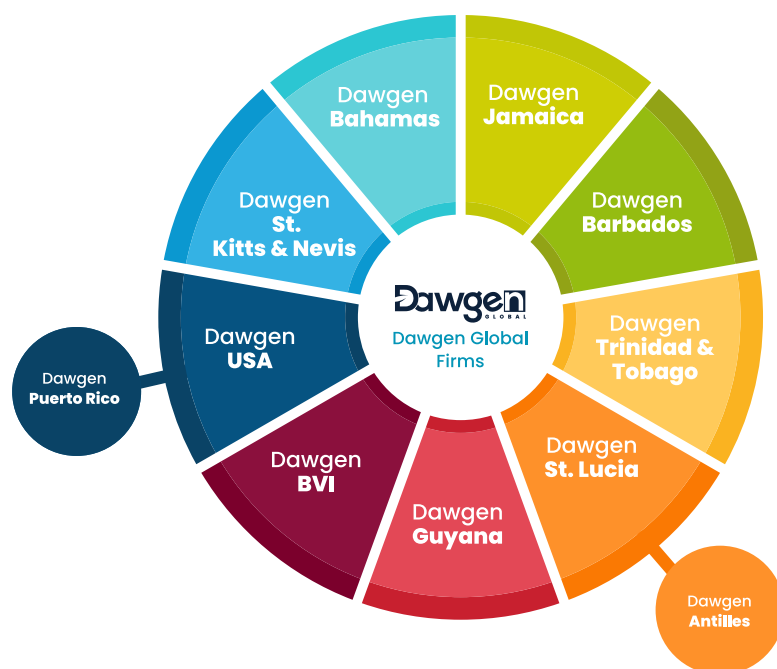


Dawgen Global is an integrated multidisciplinary professional service firm. We are integrated as one Regional firm and provide several professional services including: audit, accounting, tax, Information Technology, Risk, HR Solution, Performance, M&A, corporate finance and other advisory services.

Our regional network covers Jamaica, Trinidad and Tobago, Bahamas, Bermuda, the Cayman Islands, the Eastern Caribbean (Barbados, Antigua, St Lucia, Grenada, and St Kitts & Nevis), the Netherlands Antilles (Bonaire, Curacao, and St Maarten), Aruba, Turks and Caicos Islands, Guyana, Puerto Rico, and USA.

Our regional focus is to improve services to local, regional and international clients. Through our affiliation and membership in other Global Networks and Associations, we offer a global perspective while maintaining our regional insight by seeking alternatives for you – we tap the power of both.

Our multidisciplinary teams of professionals leverage a wealth of industry-tailored, practical approaches to help you discover opportunities for your business. Whether your organization is strong and healthy, under stress or facing difficult choices, we work with you to find financial, strategic and operational solutions that improve your liquidity, financial flexibility and stakeholder returns. We are here to help you build a sustainable business – in the short and long-term.



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DIGITAL TRANSFORMATION GOVERNANCE

Centralize
Shared
Information

1

Decentralize
Governance of
Digital Initiatives
over Time

2

Decentralize
Ideation,
Centralize Idea
Evaluation

3

Ensure KPIs
Measure True
Impact

4

Focus on
Compatibility,
Consistency,
and Continuous
Integration

5

Implement a
“Fit-for-Purpose”
Mapping System

6

Perform
Scenario
Analysis

7

7 key principles to govern Digital Initiatives and maximize impact



The constantly evolving digital landscape necessitates executives to dynamically design and govern their portfolio of Digital Initiatives.

Based on a study of more than 100 companies on their digital challenges and interviews with 55 digital executives, we have distilled out 7 key governing principles that link Digital Transformation to impactful success.

- 1 Centralize Shared Information.
- 2 Decentralize Governance of Digital Initiatives over Time.
- 3 Decentralize Ideation. Centralize Idea Evaluation.
- 4 Ensure KPIs Measure True Impact.
- 5 Focus on Compatibility, Consistency, and Continuous Integration.
- 6 Implement a “Fit-for-Purpose” Mapping System.
- 7 Perform Scenario Analysis.

By following the 7 key Governance principles, digital leaders can maximize the success quotient of their Digital Initiatives.

Organizations falter in many areas when it comes to providing Structure and Governance to Digital Transformation projects

Digital Transformation -Lack of Success

Across industries, digital technologies and trends have become a major disrupting force and organizations have responded with significant investment in Digital Transformation.

Recent research findings published in “World Wide Digital Transformation Spending Guide” suggests that most of these Transformation efforts fail to meet or exceed expectations.

Governance related concerns stood has a “high priority” for people leading Digital Transformation efforts in most companies as per an MIT Research conducted in 2019. This data reflecting feedback from 1,030 digital executives shows that ineffective Structure and Governance of Digital Initiatives is the prime reason for them to either fail or deliver below par results.

According to a survey conducted by Jabil, a Global Manufacturing Services provider, only 23% of manufacturers admit to having a corporate-wide strategy for their Digital Transformations. For the remaining 77%, results have been lack of direction, purpose, and overall drive of their projects. Additionally, Jabil found that 38% of the companies

were having an individual business unit or product line leading the transformation for their organization or vertical which in fact is counter productive.

Experts reiterate that the Digital Transformation Journey does not belong to one individual or department. Departments may be tasked with executing on part of strategy but the whole company should be working towards the common goal.

CIOs often lament that business executives lack digital acumen. Drucker School of Management in one of their publications on the topic, provides an insight that Monofunctional Perspective is an impediment to successful Digital Transformations. One of the interviewees in their study said with a touch of desperation that “90% of our general management teams don’t understand technology at all. The average Board Member doesn’t

understand more about technology than anybody on the street.”

Functional boundaries need not only become more permeable, but should also reframe their Identity.

Research and survey data provide insights for how leaders can govern Digital Initiatives for maximum impact.

Source: 7 Key Principles to Govern Digital Initiatives, Obwegeser, MIT Sloan Management Review, 2020; Top 5 Digital Transformation Challenges, Jabil; Digital Transformation in Large and Complex Organizations, Desier, 2018

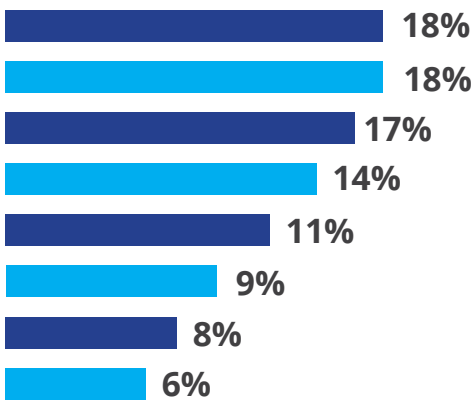
Out of the top challenges identified in delivering Digital Initiatives, approximately 70% pertain to lack of effective Governance

Digital Transformation – Top Challenges

Successfully governed digital projects will satisfy the needs of different stakeholders across an organization.

It has to be flexible enough to accommodate multiple types of initiatives while displaying the rigidity to achieve strategic alignment and efficiency. Traditional Governance approaches that prioritize compliance and risk mitigation has been identified as one of the major roadblocks to successful Governance of Digital Initiatives.

- How to **adapt** the **org structure** for digital businesses.
- How to **enable continuous improvement** of business processes.
- How to **create greater alignment** between the business and IT.
- How to **manage growing** operational complexity.
- If a **transformation “office” is needed** to govern change efforts.
- How to **break down** functional silos.
- How to **create a separate digital** unit.
- If a CDO is needed/what a **CDO’s role** should be.



Executives need to rethink their governance approach for Digital Transformation and prioritize “Active Enablement” over “Control.”

Source: 7 Key Principles to Govern Digital Initiatives, Obwegeser, MIT Sloan Management Review, 2020



7 key principles of Digital Governance have been distilled from our research across 100 companies

Digital Transformation – Governance Principles

We have distilled out 7 key governing principles that link Digital Transformation to impactful success.

- 1 Centralize Shared Information**
Centralize information about Digital Initiatives rather than the initiative themselves.
- 2 Decentralize Governance of Digital Initiatives over Time**
As digital maturity grows, move from Centralized to Decentralized governance of initiatives.
- 3 Decentralize Ideation, Centralize Idea Evaluation**
Decentralize Ideation but Centralize Idea evaluation and prioritization.
- 4 Ensure KPIs Measure True Impact**
Make sure that KPIs measure the real impact you want to achieve with each initiative.
- 5 Focus on Compatibility, Consistency, and Continuous Integration**
Avoid Siloed solutions by ensuring data compatibility, technical consistency, and continuous integration of new initiatives with existing systems.
- 6 Implement a “Fit-for-Purpose” Mapping System**
Implement a “Fit-for-Purpose” mapping system that recognizes value potential and degree of feasibility for each initiative.
- 7 Perform Scenario Analysis**
Evaluate different scenarios to proactively steward Digital Initiatives toward full scale impact.

These 7 Key Principles of Digital Governance will be a vital link between Digital Transformation Projects and their successful implementation.

Centralize information about Digital Initiatives rather than the initiative themselves

Principle 1 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Centralize Shared Information.

DETAILS

Executives frequently confront a fragmented digital landscape, with varying levels of ownership and responsibility. The resultant effect is that leaders miss the holistic view of their organization's portfolio of Digital Initiatives. This situation is especially common in companies with a culture of decentralization, where the locus of power resides in business units or country organizations.

An important starting point is to take an inventory of Digital Initiatives. As straightforward as it may sound, it is often quite challenging.

People are reluctant to share information for fear of losing control over their initiatives. Strategic and effective communication plays a vital role in this exercise. It is important to permeate the message among people that, the Inventory Phase is about centralization of information regarding Digital Initiatives, and not about 'Control' over them.



“

I think it is necessary to walk the talk rather than give instructions. I have managed to get a lot of information because I am not telling employees to stop their activities. I walk around and ask people, what's new and I always react positively.

Fred Herren, Senior Vice President, Digital Innovations
SGS (Leading Global Player – Inspection, Testing and
Certification services)

Take inventory of your Digital Initiatives for a centralized view, while implementing effective communication strategies during the phase to facilitate collaboration.

As digital maturity grows, move from Centralized to Decentralized governance of initiatives

Principle 2 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Decentralize Governance of Digital Initiatives over Time.

DETAILS

According to our research, 84% of organizations have established a dedicated or centralized digital group. However, organizations are divided on where Digital Initiatives should be situated.

There is wide spread agreement that there should be a Central Unit or team that should initiate a digital transformation journey. Parallel to this, there is equal recognition for the need to eventually Decentralize initiatives and Empower local business units.



I think the end goal is that everybody in the company is a CDO (Chief Digital Officer). As soon as everybody is acknowledging the value of digital transformation, embracing it, and making it happen – I am not needed anymore.

Mark Klein, Chief Digital Officer
Ergo Group, Germany



CASE EXAMPLE



Centralization was the preferred structure of Energie Baden-Württemberg (EnBW), a regional German energy company, when the company launched its digital transformation in 2016.

Two years in to the transformation however, the digital team began to observe redundancies and overlap among different units. To minimize them they created communities to manage common initiatives that didn't require direct intervention from Head Office.

As Digital Transformation projects reach maturity, we need to start empowering teams and people to take lead on Digital Initiatives with less intervention from management.

Decentralize ideation, but Centralize idea evaluation and prioritization

Principle 3 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Decentralize Ideation. Centralize Idea Evaluation.

DETAILS

Organizations use different processes/approach to identify and evaluate innovative ideas. In our observation, the ones who get it right have a thing in common. Their ideation is Decentralized while evaluation and prioritization are Centrally driven.

Once an idea passes a certain threshold, they create a Centralized Decision-Making Authority or Digital Innovation Committee to evaluate new ideas against strategic priorities. This committee is typically led by the CDO (Chief Digital Officer) or other senior executive and includes members from across the different business units of the organization.

Reduce the distance between the person who has an idea and the ones who can make it happen. This brings Innovation process closer to more employees and thereby the organization as a whole will imbibe a culture of innovation to transform.



CASE EXAMPLE



giant Nestlé launched the “InGenius” program in 2014 to leverage the creativity of its 300,000 employees worldwide.

Employees can pitch their ideas on a software ideation platform and get feedback and votes from other Nestlé employees.



We set up an innovation board led by the Global Head Of Innovation. Every business line has an innovation lead that is also part of this board. Together they manage the innovation funnel ... creating the same chance for projects to succeed, fail or to be stopped quickly.

Bart Leurs,
Chief Digital Transformation Officer, Rabobank

Leverage the creative power of the whole organization by developing a decentralized, systematic approach to funnel ideas into a transparent pipeline for centralized evaluation.

Ensure that KPIs measure the real impact you want to achieve with each initiative

Principle 4 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Ensure KPIs Measure True Impact.

DETAILS

According to Gartner's latest CIO survey Digital Initiatives are in top priority list since 2019. Only 4% of organizations have no Digital Initiative at all, which signals a shift from digital as an option to digital as a mainstream platform. And yet, an earlier Gartner survey found that almost half of CEOs had no metrics for Digital Transformation.

In our research it became clear that many companies relied on generic success measures such as adoption rates of new digital tools but failed to assess if any real impact was generated by their Digital Initiatives.

Establishing Key Performance Indicators (KPIs) for Digital Initiatives is a critical exercise. These KPIs must be tied to the strategic priorities of the organization's future vision, success and implementation measures.

Looking for a list of KPIs generally followed by everyone is a wrong move which must be avoided. KPIs need to be industry specific, and thereafter organization specific to be meaningful.



CASE EXAMPLE

In a European car maker's manufacturing plant, a car rolls off the production line every 90 seconds. One hour of line stoppage due to IT issues means 40 "lost" cars. This is how the IT department puts digital risk in a business context, by reporting on inventory, revenue and other direct business impacts instead of downtime.



One of the drawbacks of transformation is that, if you are not watching carefully enough, after a couple of years you have spent a couple million dollars and you are not completely sure about the return.

Edouard Zuber
CDO (former), AXA Hong Kong

Well-designed KPIs are critical to successful measurement and driving of Digital Initiatives.

KPIs are only valuable if we are measuring what matters

Principle 4 – Digital KPIs Guidelines

Below, we have outlined important guidelines and guiding questions to formulating good Digital KPIs.

The value of a metric lies in its ability to influence Decision Making. According to Gartner, the best metrics have the following.

- ☑ Clearly defined and defensible causal relationship to a business outcome.
- ☑ Work as a leading not lagging indicator.
- ☑ Address a specific defined audience.
- ☑ Can be understood by non-IT audience.
- ☑ Drive action when they change from green to yellow to red.

They must be developed and synced with the larger business objectives and strategic vision of the organization.



Here are 5 guiding questions for creating Digital KPIs that work.

- 1 What is being measured?**
 - ▶ An example might be the percentage of customer interactions that are virtual/digital.
- 2 What is our desired business outcome or benefit?**
 - ▶ For example, 50% better customer outcomes and 20% lower costs.
- 3 What is our balance point?**
 - ▶ The balance point describes the reasons why an enterprise must not “over digitize.”
 - ▶ The Law of Diminishing Returns applies to digital business as well and sometimes it makes no sense to make 100% as a goal.

–E.g., A global enterprise might want to transition its customers to mobile application. The reality might be that depending on the regions they operate smart phone adoption among customers might be 100% in one region while in another it would be less than 20%.
- 4 Where are we today?**
- 5 What is our target goal?**

Source: How to Measure Digital Transformation Progress, Gartner, 2019

Avoid siloed solutions through data compatibility, technical consistency, and continuous integration of new initiatives with existing systems

Principle 5 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Focus on Compatibility, Consistency, & Continuous Integration.

DETAILS

Digital Transformation is an end-to-end process. It is closely intertwined with back end business processes and systems.

One important principle of digital governance involves ensuring that Digital Initiatives are integrated within a company's existing IT rules, systems, and capabilities.

The successful cases of transformation we identified were often built around a standardized approach to infrastructure, rather than by working on top of a patchwork of not well integrated or siloed legacy systems.



Through data standardization, we can see that if something has worked well in Italy, we can leverage it for the good of Ikea globally. That allows for transparency, visibility and accountability. This approach to data gives Ikea the ability to see what products and processes are working globally and which are not.

Barbara Martin Coppola, Chief Digital Officer, IKEA



CASE EXAMPLE



Nestlé engaged in a multiyear project aimed at systematically assessing and consolidating the different IT systems used across the company. Without this common infrastructure, it would have been impossible to roll out a suite of enterprise wide digital tools.

Similarly, IKEA realized it could achieve digital innovation at scale, only by standardizing the data rules across the company.

For the smooth functioning and effective implementation of Digital Initiatives, they must be designed and developed in congruence to the existing IT infrastructure, rules and policies.

Implement a “Fit-for-Purpose” mapping system that recognizes value potential and degree of feasibility for each initiative

Principle 6 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Implement a “Fit-for-Purpose” Mapping System.

DETAILS

With a list of Digital Initiatives and a governance structure in place, organizations need to map the initiatives into relevant categories. Our research suggests that this mapping process can be conducted by assessing each initiative along two dimensions:

1 VALUE POTENTIAL

Executives should think through their transformation objectives and determine how much value each project contributes to that goal.

2 DEGREE OF FEASIBILITY

Executives should also assess the ability of their organization to successfully execute an initiative based on ease of implementation, current context, capabilities and organization structure.



Mapping Digital Initiatives along the 2 dimensions allows us to gain understanding of the feasibility and overall value that can be expected out of our Digital Initiatives.



Assessing initiatives along the two dimensions of Feasibility and Value Potential leads to 4 different types of Digital Initiatives

Principle 6 – **Types of Digital Initiatives (Overview)**

With the 2 dimensions, we can form a 2x2 matrix. This matrix maps the Digital Initiatives, into relevant categories across dimensions of Value Potential and Degree of Feasibility.

- | | |
|--|---|
| 1 Quick Wins
High Feasibility, Low Value Potential | 3 ENTERPRISE ANCHORS/ VENTURES
High Feasibility, High Value Potential |
| 2 KILL ZONE
Low Feasibility, Low Value Potential | 4 Moonshots
Low Feasibility, High Value Potential |

Note that the fourth quadrant is further sub-divided into 2 segments—
Enterprise Anchors (to scale the existing business) and Ventures
(to expand the business).

Source: 7 Key Principles to Govern Digital Initiatives, Obwegeser, MIT Sloan Management Review, 2020

Now, let's take a deeper dive into each of these types of Digital Initiatives

Principle 6 “Fit-for-Purpose” Digital Governance Framework

The “Fit-for-Purpose” Digital Governance Framework recognizes that initiative characteristics influence governance choices.

- ▶ CTO Chief Transformation Officer
- ▶ BU Business Unit
- ▶ CIO Chief Innovation Officer
- ▶ CDO Chief Digital Officer
- ▶ TMT Top Management Team

	Digital Initiatives	KILL ZONE	MOONSHOTS	ENTERPRISE ANCHORS/ VENTURES
Organizational Anchoring	BU/function	Internal, but separated digital/ innovation unit led	Centralized TMT led	External unit
Decision Rights	BU/function head	CDO or equivalent	Centralized CDO or equivalent	Originates centrally from parent company. Operational scope lies within venture entity.
Control Mechanisms	BU/function	Dedicated innovation fund anchored at CDO or equivalent	Centralized transversal committee	Originates centrally from parent company. Operational scope lies within venture entity.
Technology Architecture	Consistent with existing architecture	Initially unconstrained by existing architecture, but integration must be anticipated	Expands/ renews existing architecture	Initially unconstrained by existing architecture, but integration must be anticipated

A Fit-for-Purpose mapping system is used to better understand feasibility and value potential of the initiatives, which would improve resource allocation and execution.

Source: 7 Key Principles to Govern Digital Initiatives, Obwegeser, MIT Sloan Management Review, 2020

Evaluate different scenarios to proactively steward Digital Initiatives toward Full Scale impact

Principle 7 – Overview

DIGITAL GOVERNANCE PRINCIPLE

Perform Scenario Analysis.

DETAILS

Armed with an understanding of the different types of Digital Initiatives, we now need to perform detailed Scenario Analysis to proactively plan for the future.

Digital Initiatives types are not static. A Moonshot designed to evaluate a radical new idea might eventually become an Enterprise Anchor.

The key element is to manage these transitions in a way which is consistent with organizational strategy while providing each initiative with enough resources to maximize potential.

A disciplined approach is recommended while dealing with Kill Zone, either by stopping unsuccessful initiatives or embedding them into existing business operations. Formulating these policies helps the organization to take control of the transformation instead of being directed by ad hoc governance processes.



In a constantly evolving digital landscape, we should continuously and iteratively perform Scenario Analysis to govern our portfolio of Digital Initiatives.

To scale our Digital Initiatives, there are 2 core enablers we should focus our efforts on

Principle 7 – Enabling for Scale

1 REMOVE POTENTIAL OBSTACLES

Digital Leaders should proactively work to remove potential obstacles, that is to make sure that there are no organizational or technological barriers that could limit an initiatives growth.

- ▶ Once the value of an initiative is clear, parallel process for execution should start across teams such as IT, Legal, Security etc, and other key stakeholders.
- ▶ This helps to avoid any bottlenecks or roadblocks along the critical path that may prevent the speedy scaling of initiatives.

2 CREATE A PULL EFFECT

Instead of trying hard to push new initiatives out into the organization, digital leaders should focus on creating a pull effect from the organization.

Experts observe that if you scale an initiative by pushing it out-into the company, you will be doing so by preventing organic growth.

- ▶ They suggest to focus on generating the first results and demonstrate the value of the initiative to the organization.
- ▶ This will generate the needed pull from various parts of the system which will enable scale.



Scale can be achieved by proactively removing obstacles and creating a pull effect—both of the enablers should both be leveraged.



STRATEGY DEVELOPMENT

RESPONDING TO COVID-19

COVID-19 is shaping a “New Normal”—a Low Touch Economy that requires a strategic response

The world is changing. Forced isolation and social distancing restrictions have been put into place with the advent of the COVID-19 health crisis. This is not expected to end soon, but is expected to have a lasting effect on the world. In fact, a new generation of consumer behaviors is already being shaped.

The new world will not be better off or worse. It will be different. During this period of influx, some businesses will thrive in this change and reach accelerated success, while others will struggle to find their footing in all of the chaos. The Low Touch Economy is here.

This Article provides businesses rapid learnings on how to effectively respond to COVID-19 that is marked with plenty of ups and downs and economic uncertainty. There is a 3-phase approach that can guide businesses when taking on strategic options to be able to surpass and survive in this current global crisis:

1 Protect 2 Recover 3 Grow

There will be fundamental shifts that are here to stay and there will be industries and verticals that will be turned upside down. Taking the correct strategic approach is up to organizations to take.



Until there is a vaccine or herd immunity, the base case scenario is a continuous up and down of disruptions for the coming 2 years.

The Low Touch Economy is here to stay

STRATEGIC RESPONSE – THINKING

The post-COVID 19 era will have an economy shaped by new habits and regulations based on reduced close contact interaction, tighter travel and hygiene restrictions.

1

Impact of COVID-19 on Our Organization

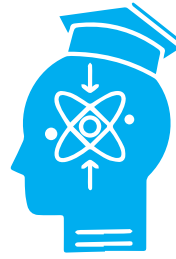
- ☒ Direct impact of COVID-19
- ☒ Indirect impact of economic recession
- ☒ Ability to adapt fast

2

Severity and Duration of the Economic Impact

- ☒ GDP forecast Indirect
- ☒ Pandemic evolution
- ☒ Economic policy

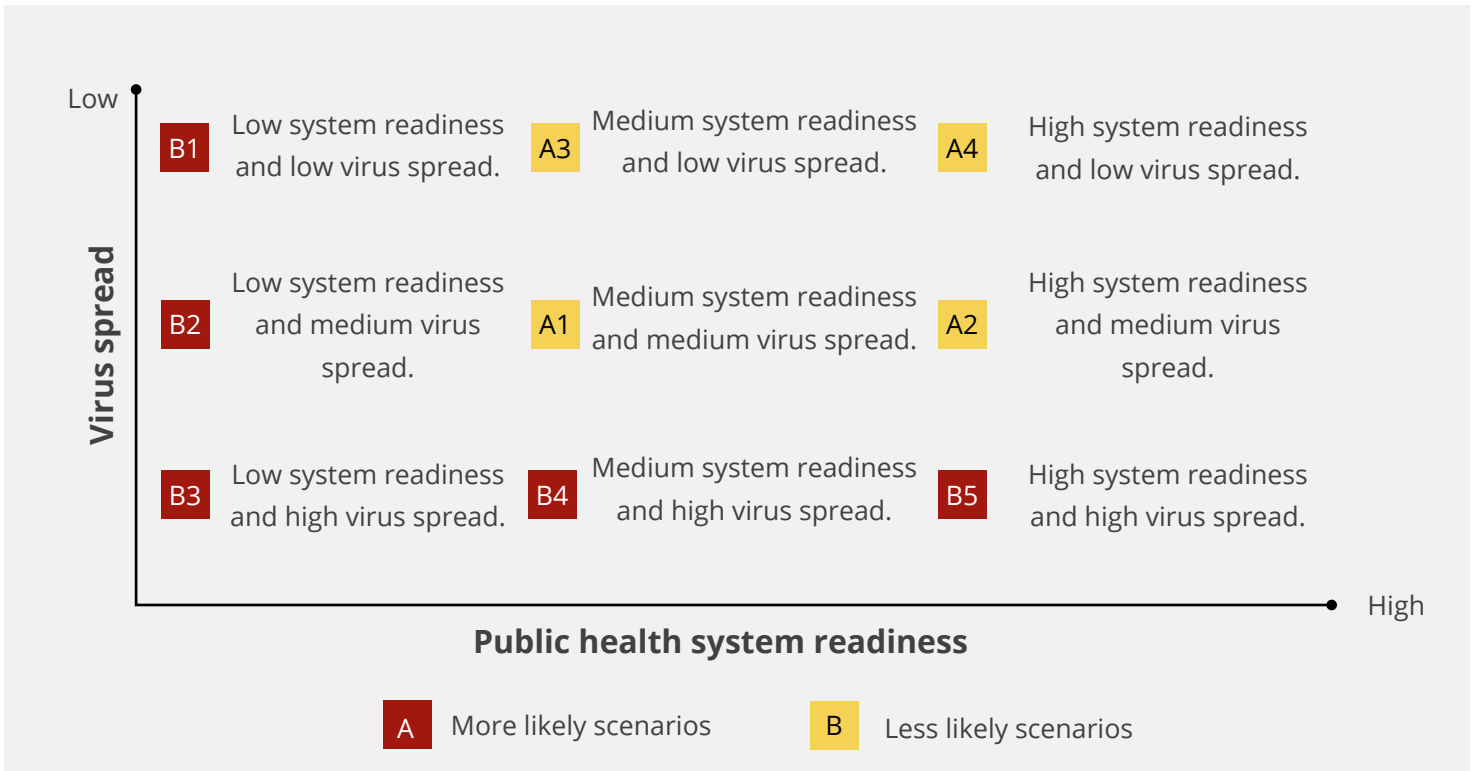
Strategic response also depends on cash position, competitive position, and industry attractiveness.



The economic impact varies by country, driven by its public health systems readiness and viral spread

Strategic Response – Economic Impact

Based on a country’s public health system readiness and the spread of COVID-19 within the country, we have mapped out 9 potential scenarios of economic impact.



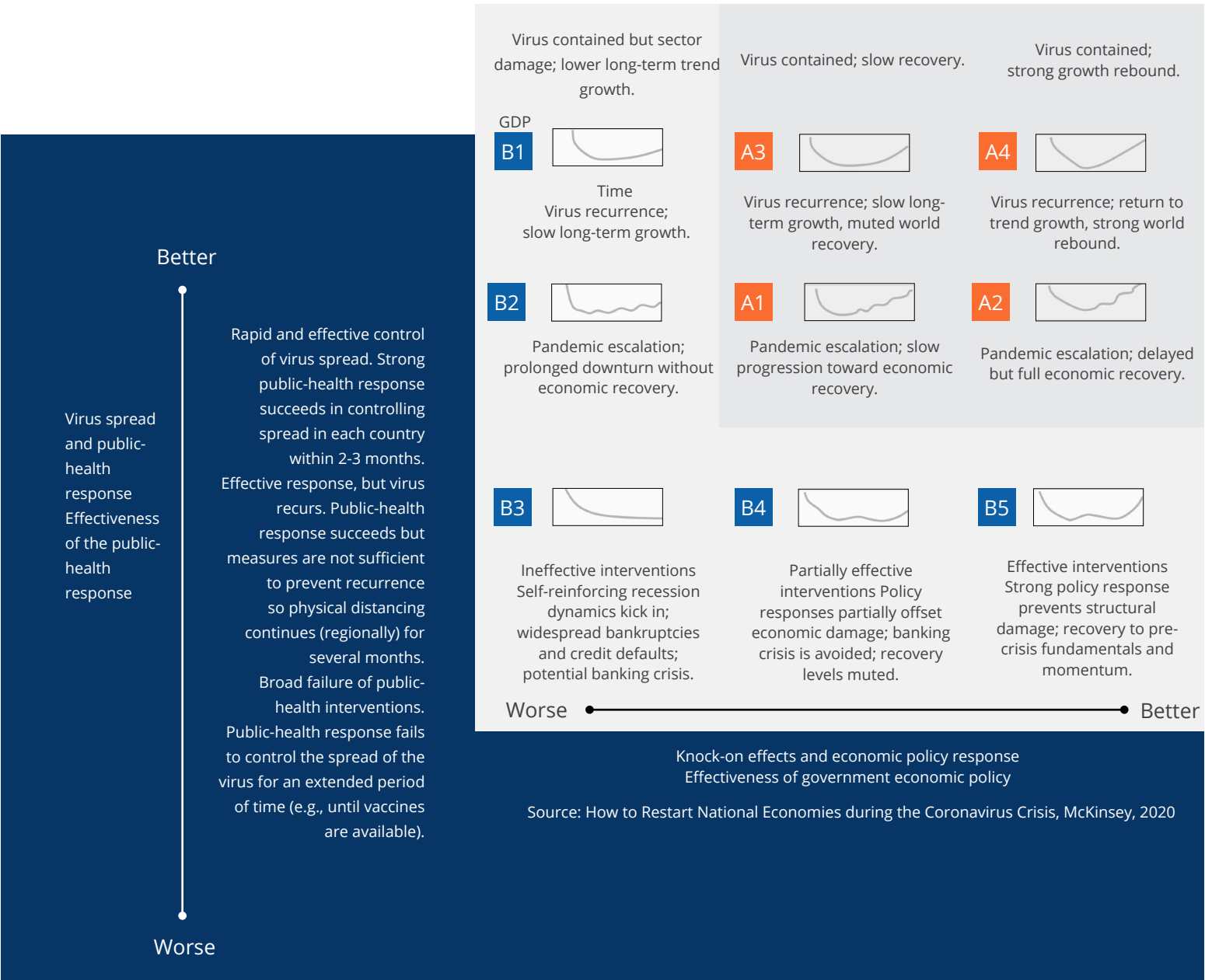
These scenarios capture outcomes related to GDP impact, public health response, and economic policies.

Source: How to Restart National Economies during the Coronavirus Crisis, McKinsey, 2020



This slide provides bit more detail into each of the 9 scenarios—the gray line within each box illustrates the decline and recovery of GDP over time

Strategic Response – Economic Impact (Details)



Strategies must be defined to keep businesses afloat in today's Low Touch Economy

Strategic Response – COVID-19 Strategy Matrix

Organizations must understand how similar economic crises have played out in the past and use those learnings to envision the many potential scenarios that could play out in today's current context.

The COVID-19 Strategy Mix is a framework that focuses on the development of future scenarios. It acts as starting point for preferred strategies.

		IMPACT ON YOUR ORGANISATION			
		Direct impact of Covid-19/Indirect impact of economic recession/Ability to adapt fast			
SEVERITY & DURATION OF ECONOMIC IMPACT GDP forecast/ Pandemic evolution/ Economic policy	0.5 year impact	Positive	Mildly negative	Severe	Catastrophic
	V-curve rebound; Effective pandemic control and economic stimulus	Revenue growth through demand surge e.g. E-commerce	Sustained revenue loss of 0-15% in Q2-4 2020 e.g. Consumer Goods	Sustained revenue loss of 15-50% in Q2-4 2020 e.g. Oil and gas	Sustained revenue loss of +50% in Q2-4 2020 e.g. Tourism
	1.5 year impact	Ride the wave: boost supply to keep up with demand surge	Push through and prepare for fast back-to-normal upswing	Survive and prepare for relatively slow back-to-normal recovery	Mothball large part of the business and prepare for re-start
	U-curve recovery; Social distance measurements prolonged, economic stimulus eases damage	Push for growth and market share	Defend, improve competitive position, and find new growth	Pivot through organic innovation and inorganic growth, or divest	Pivot through organic innovation and inorganic growth, or divest
	3 year impact	Aggressive push for growth and market share	Defend, improve competitive position, and find new growth	Prepare for aggressive new entrants. Reinvent and create totally new position, or abandon	Abandon market
	L-curve recovery; Failed pandemic control, and wide-spread bankruptcies and credit defaults				

Businesses must start asking what they need to do to grow in these scenarios and what aspects of its portfolios should the business lean into.

Source: The New Low Touch Economy, Board of Innovation, 2020

Businesses must have the agility to switch from defense to offense during turbulent times

Strategic Planning – Defense to Offense

Case Examples



Crisis

- ▶ Recession
- ▶ Absolute R&D expenditure increased from €950 M in 2000 to €1.3 B in 2003.

Impact

- ▶ Gained market share and outperformed peers in the stock market.
- ▶ Became well positioned to acquire Aventis, a much larger Franco-German pharmaceutical company.



Crisis

- ▶ Outbreak of SARS
- ▶ A pivotal moment in the growth trajectory of Alibaba.

Impact

- ▶ Became a \$470B e-commerce behemoth.

Lin Qingxuan

Crisis

- ▶ COVID-19
- ▶ Closed 40% of its stores
- ▶ Redeployed its 100+ beauty advisors from the stores to be online influencers
- ▶ Leverage digital tools (WeChat) to engage customers virtually

Impact

- ▶ Sales in Wuhan achieved 200% growth compared to the prior year's sales.

Mitigating the biggest risks is crucial, from a health & safety, operational, and P/L point of view. This is an ongoing effort.

But it's time to prepare for the next phase. Industries that were able for a decade are now wide open to turn around. Companies must be ready to switch from defense to offense.

In a time like this, it is often the fast and the decisive movers that win.



A 3-phase approach to planning can make business outrun extinction during the COVID-19 crisis

Strategic Planning – Approach

Businesses need to balance multiple priorities to be able to outrun extinction during the COVID-19 crisis and thrive in the future.

A 3-phase approach to strategic planning must be undertaken.



Phase 1 is Protect focused on acting now to protect and run the business today

Protect – Overview

DESCRIPTION

- ▶ Responding to the crisis and protecting the business.
- ▶ Ensuring business continuity and stability.



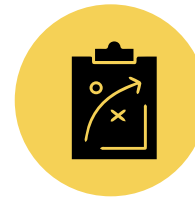
Scenarios and Variables

- ▶ Employees and customers are grappling with fear, a basic human emotion.
- ▶ Revenues are declining with prospects of liquidity freeze.
- ▶ Time horizons remain uncertain.



Strategies on Protecting Business

- ▶ Put the safety of employees and customers first.
- ▶ Set up a war room of senior leaders to tackle immediate challenges.
- ▶ Model scenarios more aggressively than any of your team has imagined.
- ▶ Focus on revenues, costs, cash, operations, and organization.



Strategies on Ensuring Continuity and Stability

- ▶ Shift the war room from reactive to proactive crisis management.
- ▶ Plan a cascade of more severe actions to preserve business viability, and identify what would trigger them.
- ▶ Focus on employee sustainability, particularly the crisis response team.
- ▶ Reduce or eliminate nonessential activity.

With crisis expected to last months, the anxiety of uncertainty is taking a toll on employees, creating the need for support more than ever before.

A background image showing a business meeting. Two people are seated at a table, looking at a laptop and a tablet. The laptop screen displays a bar chart with two series, 'Quarter 1' and 'Quarter 2', across five categories. The tablet also shows a bar chart. The scene is dimly lit with a warm light source in the background.

The initial phase, Protect, is the best time to invest in innovation and R&D

Protect – Innovation and R&D

While others are stalling, the most innovative companies spend more on R&D during recession. In the long run, these investments are paying off in profitability and growth.

1

Gartner's study of 30 F1000 companies that accelerated during the crisis of 2008

2

Bain & Company analysis of 5000 companies over 10 years

Gartner

All companies invested in new growth options instead of just cutting costs.

BAIN 
& COMPANY

One of the strategies used to win was growing outside of the core business.

Hurdling post-COVID-19 crisis is possible with increased investment on Innovation and R&D.

Phase 2 is Recover—focused on accelerating through the recovery

Recover—Overview

DESCRIPTION

- ▶ Readiness of firm to have strong, working hypotheses about the dynamics in their industry.
- ▶ Having the right strategy to outperform.

Scenarios and Variables



- ▶ Companies will scramble to capture pent-up demands or adjust on overserved demand.
- ▶ Different variations exist: different markets coming back online or forced back into confinement with subsequent outbreaks.
- ▶ Need to rebuild supply chains, manufacture networks, and shared service centers due to heterogenous business environment.
- ▶ Cash flow and revenues not balancing out or returning to normal level.

Strategies



- ▶ Forecast demand by geography, channel, and segment.
- ▶ Develop flexible, operational, organizational, and financial plans to capture pent-up demand or adjust for overserved demand.
- ▶ Build resilience into operations and other functions for future risks.
- ▶ Prepare your cost structure and balance sheet for the future and begin to acquire new capabilities.

The most resilient companies will use a control tower or a decision-making platform that governs real-time, integrated, and omniscient supply chain through end-to-end visibility and analytics.

Phase 3 is Growth—focused on adapting the organization and strategy for the new world

Grow – Overview

DESCRIPTION

- ▶ Taking what has been learned through the crisis and adapting the business for a new world.



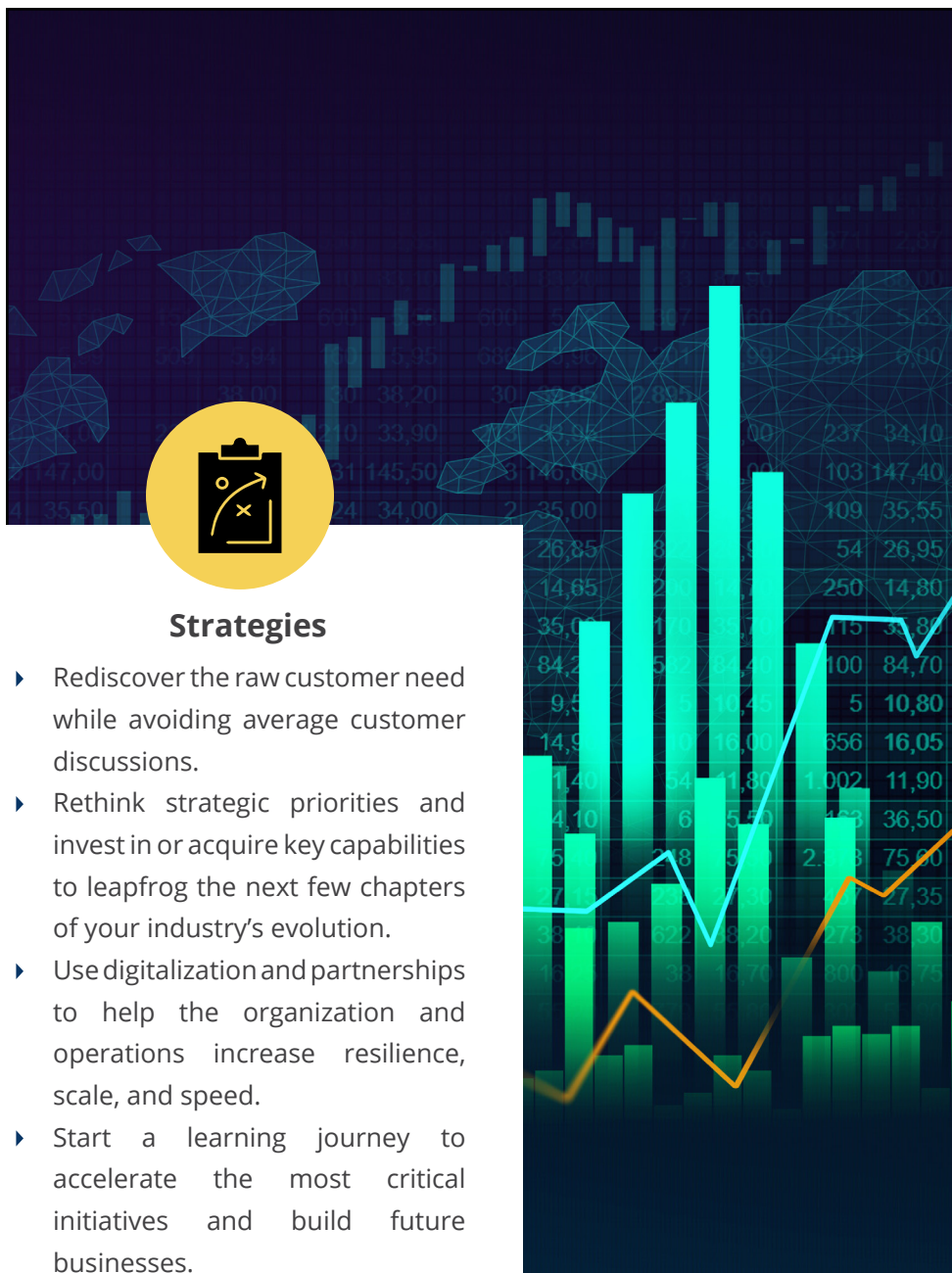
Scenarios and Variables

- ▶ Trends within Digital Transformation, such as Robotic Process Automation, Machine Learning, Blockchain, Mobility, Internet of Things, etc., will accelerate further.
- ▶ Changing customer expectations will prompt adjustments in go-to-market and distribution models.
- ▶ Any considerations of the average customer will be avoided, instead new customer insights will be sought.



Strategies

- ▶ Rediscover the raw customer need while avoiding average customer discussions.
- ▶ Rethink strategic priorities and invest in or acquire key capabilities to leapfrog the next few chapters of your industry's evolution.
- ▶ Use digitalization and partnerships to help the organization and operations increase resilience, scale, and speed.
- ▶ Start a learning journey to accelerate the most critical initiatives and build future businesses.



To fortify the business for a more disruptive reality, leaders need to embed the best of their crisis response into the organization.

CEOs who balance urgent actions for today with planning for the future can better guide what happens next

Grow – Key Questions

Uncertainty this far-reaching makes it hard for businesses to control the challenges at hand, let alone think years ahead.

There are 6 key questions that can help CEOs focus their efforts.

- 1 What's the big idea that could shape our industry and firm for the next decade? What multiyear trends have been irrevocably pulled forward? What are the new trends we need to confront?
- 2 How will customer behavior shift? How will the next generation of customers that fuel our growth be different than our core customers prior to the pandemic?
- 3 How might business boundaries be redrawn, as supply chains and operating models are reconfigured and the public sector resets its role?
- 4 How do we build adaptability and resilience into our strategy and operations?
- 5 Which ways of working that we discovered during this crisis should we preserve and build upon?
- 6 How do we increase the intensity and speed of our learning as we navigate the uncertainty ahead?



CEOs can move from respond to grow using these 6 key questions as guidance.

Tackling the Low Touch Economy requires setting up a new economy growth initiative

Grow – Low Touch Economy Growth

Low Touch Economy is a new generation of consumer behaviors shaped by the COVID-19 crisis of 2020.

Hurdling a Low Touch Economy requires a 4-step approach.

1 Impact Assessment

- ▶ Conduct a through assessment of the impact of the new economy on our industry/ vertical, organization, and customers.
- ▶ What is the Low-Touch Economy and how will it impact industries?
- ▶ How will my customers, market, categories, and business overall be impacted in the mid to long term?

2 Strategy Development

- ▶ Adapt our corporate strategy to accommodate the potential impact and changes.
- ▶ How can I grow in the Low Touch Economy and outperform competitors?
- ▶ How should I repurpose my investments to the right growth initiatives?
- ▶ Leverage the COVID-19 Strategy Framework.

3 Growth Strategy

- ▶ Ensure our strategy is not just defensive (in protecting our business from the changes), but also offensive (in identifying new opportunities for growth). Remember that every disruption create opportunity.
- ▶ Develop a short-term pipeline of new business opportunities, driven by new customer behaviors.
- ▶ Scan for inorganic growth opportunities.

3 Execution

- ▶ Implement our strategy.
- ▶ Run weekly sprints.
- ▶ Design, develop, and launch a new proposition to market.
- ▶ Hire on-demand reinforcement for your teams.

In a Low Touch Economy, we are in store for a period of rapid learning, marked by plenty of ups and downs and economic uncertainty.



FINANCIAL RESILIENCE GUIDE

RESILIENCE AND ITS NEED IN OUR CURRENT ENVIRONMENT



Operational resilience IS Financial resilience

- ▶ Resilience is an ongoing journey of continuous improvement.
- ▶ Resilient firms are able to recover key business services from a significant unplanned disruption, protecting their customers, shareholders and the integrity of the financial system.
- ▶ It involves governance, strategy, business services, information security, change management, run processes and disaster recovery, all of which depend on people that understand, adapt to and prioritize operational resilience.

Five resilience characteristics – critical for people responsible for managing organizations

Five characteristics enhance resilience in the face of life's changes and challenges:

It is therefore important for individuals currently faced with adversity to maintain these characteristics as far as possible.

- ▶ Positive people view challenges as opportunities. They reframe situations positively and often use the expression "it could have been a lot worse."
- ▶ Focused people determine where they are headed in the future and stick to their goals so that life events and other barriers do not deter them.
- ▶ Flexible people are open to new and different options when faced with uncertainty.
- ▶ Organized people set priorities and develop structured approaches to manage change.
- ▶ Proactive people work with change rather than defend against it.

FINANCIAL RESILIENCE

WHAT IT MEANS

What is financial resilience

Financial resilience can be defined as a state where an organization:

- ▶ Has control over day-to-day, month-to-month finances.
- ▶ Has the capacity to absorb a financial shock.
- ▶ Are on track to meet it's financial goals.

Ways to build financial resilience

- ▶ Given the importance of cash flow in times like this, organizations should immediately develop a treasury plan for cash management as part of their overall business risk and continuity plans.

Objectives of this toolkit

- ▶ This toolkit will examine how to help build financial resilience specifically focused on strategies organizations can utilize to mitigate damages to their business during this volatile time.
- ▶ The toolkit comprises of the following sections:
 - ▶ Key factors to consider in responding to a crisis.
 - ▶ Organizational current state assessment - it is essential to review the full ecosystem, as the approaches you take to manage cash will have implications for not only your business but also for your customers.
 - ▶ Crisis Cash flow management approach.





RESILIENCE FRAMEWORK

IMPLEMENT ACTION STEPS TO ADDRESS A CASHFLOW CRISIS

While the financial health of your business is not always determined by the amount of cash you have on hand, having cash available is crucial to your organizations' operations.

Take steps to actively prevent cash flow shortages, such as cash flow forecasting, monitoring key performance indicators, and tightening up your business operations.

1 Identify non-negotiables

- ▶ Prioritize urgent expenses.

2 Macro Indicators

- ▶ Understand the macro level indicators and its impact on your organization.
- ▶ Factors to consider include:
 - ▶ GDP forecasts.
 - ▶ Government priorities.
 - ▶ Government instituted lockdowns.

3 Micro Indicators

- ▶ Build capacity within the organization to sustain the business.
- ▶ Factors to consider include:
 - ▶ Funding – exploring funding to sustain the organization in the short and long term.
 - ▶ Costs – that can be optimized to induce efficiencies.
 - ▶ The key priority in strategic cost reduction is targeting resources where they can earn the best return, rather than cutting costs in itself.





IMPLEMENT ACTION STEPS TO ADDRESS A CASH FLOW CRISIS

Manage your supply chain risk

- ▶ Do you know if your customers/ clients have the ability to honour payments?
- ▶ Ensuring you understand the financial risks of your key trading partners is critical in times like these.
- ▶ One way to manage such risks is to source letters of credit to prove that a buyer can pay.

Assess your organizations financing options

- ▶ Use this time to actively engage with your financing partners.
- ▶ Perform scenario planning to understand how much cash and when the cash will be required.
- ▶ Before you take on business debt, however, be sure you understand the interest rates and have considered all other options and are not making a decision that will simply kick the can down the road to be addressed at a later date.

Hone in on your cash conversion cycle

- ▶ While profit as a metric is an important indicator, in business unusual times, the primary focus should be on effectively managing the working capital cycle.
- ▶ Co-ordinate the receivables, payables and investment in inventory as far as possible and avoid tying up cash unnecessarily in inventory (more on this later).

Focus on finances

- ▶ What if an organizations primary constraint on inventory management was cash flow rather than being driven by customer service constraints and operational capabilities?
- ▶ Organizations would need to look at current inventory management practices and assess its suitability in the current environment.

Variable cost management

- ▶ Reducing variable costs is a quick win in terms of reducing cash flows.
- ▶ Eliminate all unnecessary expenses and only spend on the costs that keep you operational and generate revenue.
 - ▶ Cost reduction levers include imposing travel bans, hiring freezes, restrictions on discretionary spending such as entertainment, training.
 - ▶ Furthermore, payroll costs are typically a big cost – look for ways to optimize this bill such as reducing contract labor and redistributing work to full time employees to avoid lay-offs.
 - ▶ Encourage employees to take leave to reduce the leave pay liability of an organizations balance sheet.

Dispose of non-core assets

- ▶ In a cash flow crisis, an organization can off-load non-core business assets.
- ▶ Although this is a temporary fix, as an unnecessary item can only be sold once, it is an effective and quick way to raise cash.

Strategically manage inventory

- ▶ Many businesses make the mistake of tying up their cash in inventory. Reducing the amount in stock can reduce your inventory holding costs.
 - ▶ Align your on-hand inventory with projected sales by evaluating current customer demand and projected sales for each product.
 - ▶ Optimizing your order cycles and quantities by taking advantage of beneficial pricing or reducing the amount of inventory stocked.
 - ▶ Minimizing inventory by shipping slow selling and expensive items directly from the manufacturer to the customer.

Capital investment plans

- ▶ Revisit your organizations capital investment plans.
- ▶ In a constrained cash environment, the prioritization of capital investment must be prioritized. Please see “Capital Optimization Operating Playbook” for more on this.

Extend payables collaboratively

- ▶ One way to manage cash, is to take longer to pay suppliers.
- ▶ However, this is likely to have a negative impact on suppliers which may impair the supply chain.
- ▶ It is recommended to work with suppliers to reach an agreement as to what is acceptable for both parties.

Manage receivables relentlessly

- ▶ The quicker money begins flowing into your business, the sooner your cash flow problems will be solved.
- ▶ There are many strategies to be used in managing receivables:
 - ▶ Speed up receivables by offering and accepting pre-orders for a product before it hit production.
 - ▶ Ask new customers for a deposit or partial payment up-front, rather than billing the entire amount due in a single invoice after services have been rendered or products have been delivered.
 - ▶ Start sending your invoices early. Adjust the management of your receivables to invoice clients immediately following the delivery of products or services, rather than sending out all invoices on a particular day of the month.

Convert fixed costs to variable costs

- ▶ In times of uncertainty, it's generally a good idea to swap fixed costs for variable costs wherever you can.
 - ▶ Selling assets and then leasing them back is one way to raise cash.
 - ▶ Consider expanding your use of practices such as contract manufacturing, and third-party warehousing.
- ▶ This may be important to longer-term cash flow management, depending on how long demand and supply chains are disrupted by the crisis.

Raise investor capital

- ▶ Another way to increase your organizations working capital is to sell equity.
- ▶ Like taking on debt, however, be sure you truly want or need to sell a piece of ownership in your business to solve a cash flow crisis.
- ▶ Be careful not let the pressure of a cash flow crisis lead you to make poor decisions for the future of your business.

Understand your business risk insurance cover

- ▶ Organizations should understand existing business insurance policies as there may be embedded relief within these policies.
- ▶ Such insurance generally covers losses arising from disruptions to a business's customers or suppliers.
- ▶ However, the breadth of coverage can vary significantly by insurer policy, industry sector, and geography.
- ▶ Be mindful that some insurers have included specific exclusions for losses arising from epidemics and pandemics, which you'll need to understand if this is the case in your policy.



APPENDI X A:

CURRENT STATE ASSESSMENT GUIDE

IN ORDER TO OPTIMISE CASH

FLOW MANAGEMENT, A THOROUGH

OPERATIONAL ASSESSMENT MUST BE

PERFORMED.



ORGANISATION DESIGN CURRENT STATE ASSESSMENT GUIDE

What is the Organisation Design Current State Assessment Guide?

- ▶ The Organisation Design Current State Assessment Guide provides guidance on the data which is useful to understanding the current organisation. It also helps you to analyse this data and provides a structure in which to report key findings and feed them into the high level and detailed organisation designs. It facilitates the identification of the good and bad elements of the current organisation.

When to use the Organisation Design Current State Assessment Guide?



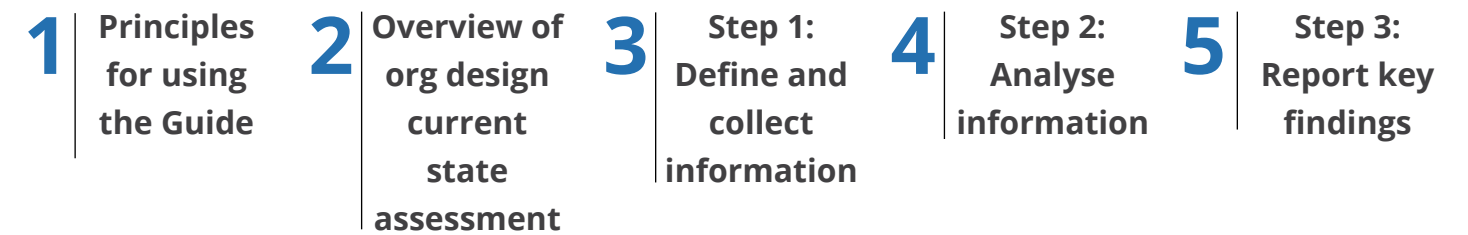
Change management, programme management and benefits delivery (use the BAS Foundation Methods)

Identify	Diagnose	Design		Deliver	Sustain
Phase 1: Define the case for change	Phase 2: Conduct current state assessment	Phase 3: Develop the high level design	Phase 4: Develop the detailed design	Phase 5: Implement the design	Phase 5: Embed, measure and learn

- ▶ The guide should be used in the current state assessment phase of organisation design, once the case for change has been developed and before design begins.

Why use the Organisation Design Current State Assessment Guide?

- ▶ The Organisation Design Current State Assessment Guide helps to highlight key organisational elements and requirements that should be considered during high level design and detailed design.



PRINCIPLES FOR USING THE GUIDE

The Organisation Design Current State Assessment Guide should be used in accordance with the following principles:

- ▶ The objective of the Guide is to facilitate analysis of the good and bad elements of an organisation. It is not aimed at devising business strategy or an operating model, or designing the future organisation.
- ▶ The Guide can be applied to different types and complexity levels of organisation design (for example, org design driven by mergers and acquisitions, design of a totally new organisation, enterprise-wide org design, line of business-specific org design). Because of this the Guide should be viewed as an “enabler” rather than a “catch all” methodology. It is important to flex it to suit individual current state assessment circumstances. The user needs to pick and choose which elements in the Guide to apply to their particular project.
- ▶ To achieve a holistic view of the current state, three angles should be considered:
 - ▶ Present state (what does the organisation look like at the time of assessment?)
 - ▶ Immediate past (what lessons can be learnt from previous re-organisations?)
 - ▶ Immediate future (are there any imminent changes planned?)

PRINCIPLES

Communicating
in writing

OVERVIEW OF ORG DESIGN CURRENT STATE ASSESSMENT

- ▶ There are three key steps to conducting org design current state assessment.
- ▶ **Org design current state assessment**

1

Define and collect information

- ▶ Understand the type of org design project that is proposed and how the Org Design Current State Assessment Guide can be applied.
- ▶ Use the data checklist to define the data required to carry out the current state assessment.
- ▶ Collect the necessary data ready for analysis.

2

Analyse information and what is good and bad

- ▶ Use the data collected in Step 1 and the Organisation Design Model to develop an understanding of the organisational landscape and what is good and bad.

3

Report key findings

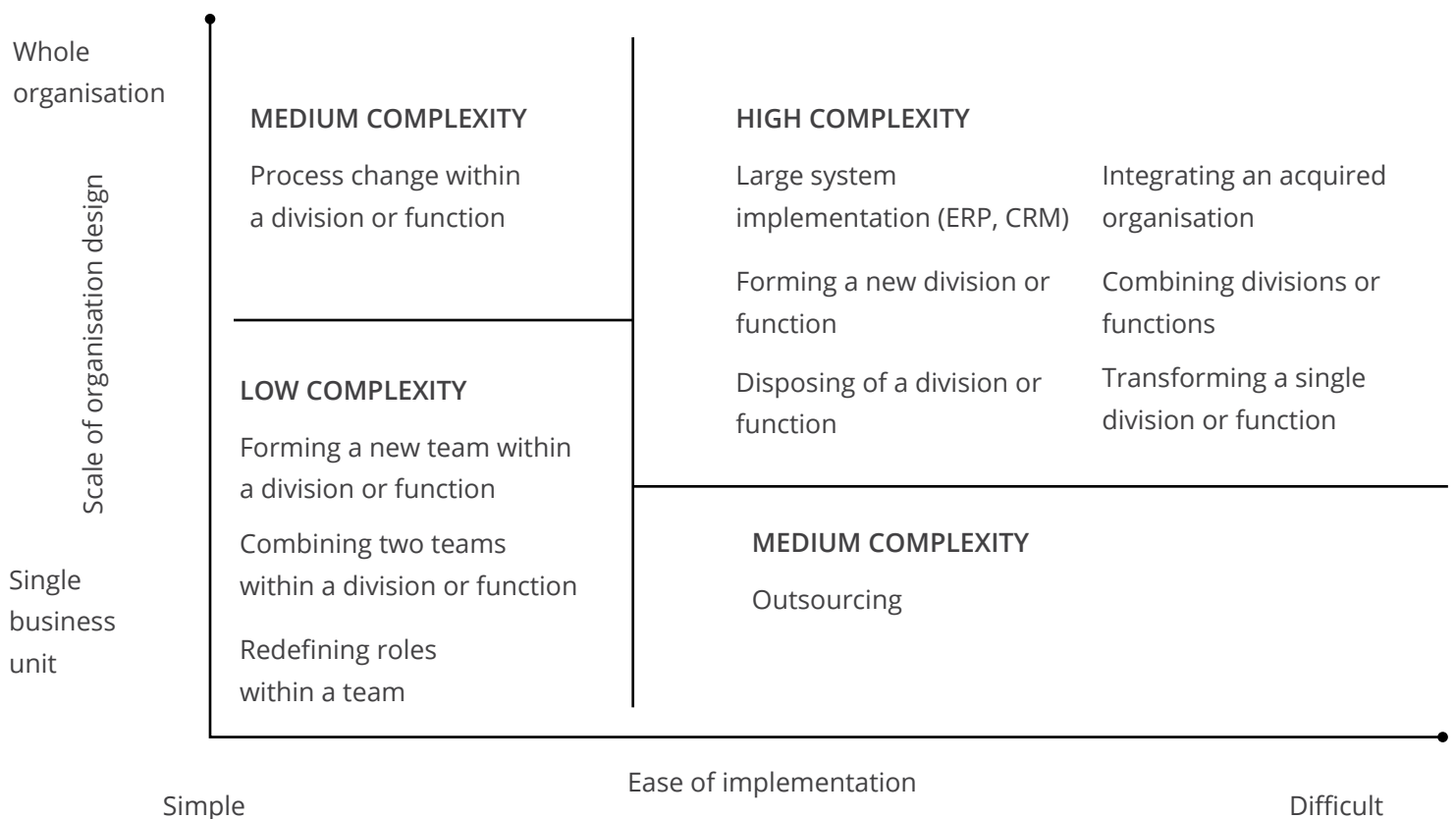
- ▶ Condense the findings in the key findings template.



STEP 1 : DEFINE AND COLLECT INFORMATION - UNDERSTAND THE NATURE OF THE PROPOSED ORG DESIGN PROJECT

Before embarking on current state assessment it is important to consider the nature of the specific org design project that is proposed as this will dictate how you use the Guide. The project may involve:

- ▶ Forming a completely new organisation
- ▶ Merging two existing internal organisations
- ▶ Merging an internal organisation and an external organisation
- ▶ Disposing of part of an existing internal organisation
- ▶ Transforming an existing internal organisation



STEP 1 : DEFINE AND COLLECT INFORMATION - UNDER STAND HOW THE ORG DESIGN CURRENT STATE ASSESSMENT GUIDE CAN APPLY TO THE PROPOSED ORG DESIGN PROJECT

The Org Design Current State Assessment Guide needs to be flexed to the type of org design project that is proposed. There are five main ways that the Guide can be used.

Type of org design project	Stage in gap analysis		
	1. Define and collect information	2. Analyse information and what is good and bad	3. Report key findings
1. Forming a completely new organisation	Define and collect available data on organisations that are similar to the proposed new organisation.	Analyse the data in the light of designing a new leading practice organisation.	Report key findings and recommendations about forming new organisation.
Merging two existing internal organisations	Define and collect data on the two existing internal organisations.	Analyse the data in the light of combining the two organisations into a leading practice organisation.	Report key findings and recommendations about merging the two existing internal organisations.
Merging an existing internal organisation and an existing external organisation (M&A)	Define and collect data on the existing internal and external organisations.	Analyse the data in the light of combining the two organisations into a leading practice organisation.	Report key findings and recommendations about merging the existing internal and external organisations.
Disposing of part of an existing internal organisation	Define and collect data on the existing internal organisation.	Analyse the data in the light of disposing of part of the organisation to create a leading practice organisation.	Report key findings and recommendations about disposing of part of the existing internal organisation.
Transforming an existing internal organisation	Define and collect data on the existing internal organisation.	Analyse the data in the light of transforming the organisation into a leading practice organisation.	Report key findings and recommendations about transforming the existing internal organisation.

STEP 1: DEFINE AND COLLECT INFORMATION - INFORMATION CHECKLIST

- ▶ Once you have an understanding of the org design project and how to apply the Current State Assessment Guide, define and collect the information required to carry out the current state assessment.
- ▶ Use the check list below to help identify potential information requirements.
- ▶ Remember that:
 - ▶ Information requirements vary depending on the nature and scale of the org design project and not all of the listed information is necessarily required.
 - ▶ It is important to look at historical information to a certain extent, but org design should focus on the future.

Information checklist

Strategy

- ▶ Analyst reports on competitors
- ▶ Competitor annual reports
- ▶ Information on suppliers
- ▶ Information on customers / customer feedback
- ▶ Investor reports, minutes from shareholder meetings etc.
- ▶ Mission statement
- ▶ Strategy documents
- ▶ Minutes from exec meetings
- ▶ Alliance / partnership agreements
- ▶ Annual reports
- ▶ Business plans
- ▶ Board reports and minutes
- ▶ Dashboards and scorecards
- ▶ Strategy presentations
- ▶ Reports on industry and market trends
- ▶ Information on key projects and initiatives
- ▶ Analyst reports on organisation
- ▶ Operating model documentation
- ▶ Financial reports
- ▶ Exit interview notes

Structure

- ▶ Organisation structure diagrams
- ▶ Exit interview notes

Roles

- ▶ HR strategy documents
- ▶ People by grade and location
- ▶ Job descriptions
- ▶ FTE analysis

Capability

- ▶ Learning & development strategy
- ▶ HR strategy documents
- ▶ Training brochures
- ▶ Training analytics (such as spend per head)
- ▶ Skills and capability framework
- ▶ Leadership development guides

Talent

- ▶ HR strategy documents
- ▶ Leadership training and guides
- ▶ Graduate programme documentation
- ▶ Talent management strategy
- ▶ Grade structure and definitions

Resources

- ▶ Resourcing plans
- ▶ HR strategy documents
- ▶ Recruitment plan
- ▶ Staff retention analytics
- ▶ Workforce demographics (age, gender, ethnicity, etc.)
- ▶ People by grade and location
- ▶ FTE analysis by process

Process

- ▶ Process maps and documentation
- ▶ Data / volumetric models

- ▶ Process efficiency metrics (number of errors / handoffs, turnaround times)
- ▶ FTE analysis by process
- ▶ Exit interview notes

Performance

- ▶ HR strategy documents
- ▶ Competency framework
- ▶ Performance management documentation

Governance

- ▶ Governance structure diagrams
- ▶ Exit interview notes
- ▶ Investor reports, minutes from shareholder meetings etc
- ▶ Board reports and minutes
- ▶ Dashboards and scorecards
- ▶ Financial reports
- ▶ Minutes from exec meetings
- ▶ Audit reports / internal audit reports

Infrastructure

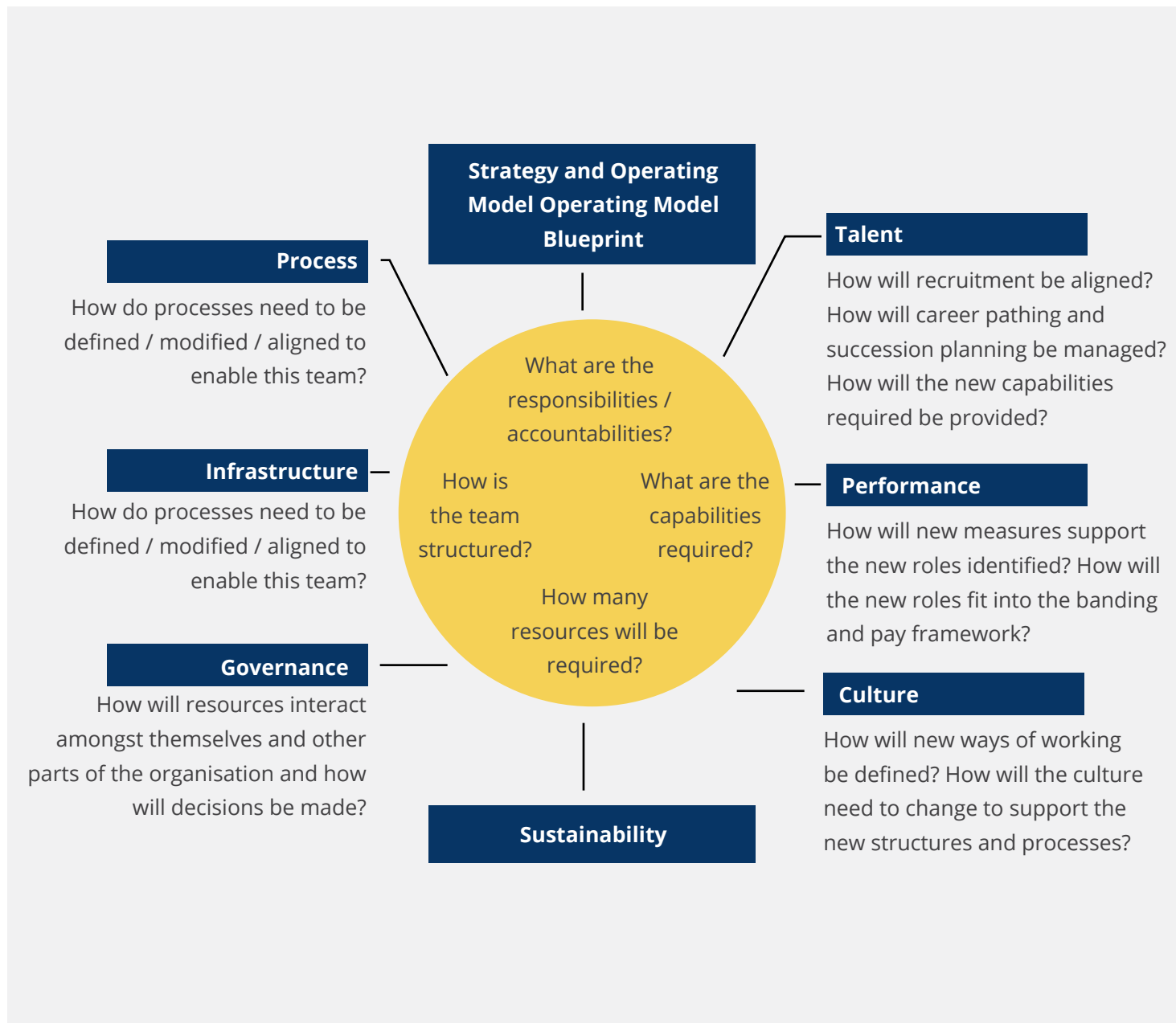
- ▶ People by grade and location
- ▶ Reports on technical infrastructure usage
- ▶ Surveys on support functions and infrastructure
- ▶ Exit interview notes

Culture

- ▶ Values documents
- ▶ Exit interview notes
- ▶ Minutes from "open house" type meetings
- ▶ People survey results

STEP 2 : ANALYSE INFORMATION

- ▶ Use the information collected in Step 1 to develop an understanding of the organisational landscape.
- ▶ Structure your analysis around the components in the Organisation Design Model (see the following pages for guidance around the kind of questions to ask).
- ▶ Each of the following pages helps you to identify key information that you could draw upon to understand the current state in order to design the new organisation.



STEP 2 : ANALYSE INFORMATION-STRATEGY

Understand the organisational strategy, desired business outcomes and how the organisation design needs to align with these

Strategy and business outcomes – the strategy of the organisation and the business outcomes that the organisation design supports.

Key questions

- **Strategy:** What is the vision and strategy for the organisation? (Consider competition, hot topics, customers, core competencies, external environment, suppliers, alliances & partnerships, investors, regulators). How should the organisation design reflect this?
- **Operating model:** What is the current operating model and how does this need to align to the organisation design?
- **Business outcomes:** What are the business outcomes that the organisation design needs to drive?
- **Note:** If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Key data sources

- Analyst reports on competitors
- Competitor annual reports
- Information on suppliers
- Information on customers / customer feedback
- Investor reports, minutes from shareholder meetings, etc.
- Mission statement
- Strategy documents
- Minutes from exec meetings
- Alliance / partnership agreements
- Annual reports
- Business plans
- Board reports and minutes
- Dashboards and scorecards
- Strategy presentations
- Reports on industry and market trends
- Information on key projects and initiatives
- Analyst reports on organisation
- Operating model documentation
- Financial reports
- Exit interview notes



Example findings

- If an organisation's strategy is to focus on the customer then the organisation may choose to base its structure on customer segments.

STEP 2 : ANALYSE INFORMATION-STRUCTURE

Structure – the formal arrangement of people in the organisation

Key questions

- **Strategy:** What is the current organisational structure? (For example, functional, geographical, product-based, process-based, customer-based, matrix, hybrid). What is the operating philosophy behind the structure? (For example, empowered, top-down). Does the structure fit with the organisational strategy?
- **Dependencies:** What dependencies exist between parts of the organisation? Are they formal or informal? How do different parts of the organisation influence each other? (For example, interdepartmental, third party suppliers, insourcing / outsourcing). Do the dependencies make sense?
- **Reporting lines:** What are the reporting lines? How are they defined? (For example, dual, hard line, dotted line). Do they need adjusting?
- **Centralisation / decentralisation:** How centralised / decentralised is the organisation? Is this appropriate?
- **Span of control and management layers:** What is the ratio of management to direct reports? How many management layers are there? Does this seem right?
- **Span of accountability:** Who is accountable for which elements of the organisation? (For example, revenue targets). Who do they need to interact with and rely on for information on these elements?
- **Communication channels:** Do people have to support and communicate with each other and work across teams / departments? What are the formal lines of communication? How is knowledge shared?

Key data sources

- Organisation structure diagram
- Exit interview notes



Example findings

- If an organisation operates mainly in Asia, locating its people in a headquarters in Europe is not likely to be the most appropriate structural solution.

STEP 2 : ANALYSE INFORMATION-ROLES

Understand roles and organisation design implications around this

Roles – the tasks and responsibilities assigned to the people in the organisation

Key questions

► **Job design:** Which jobs exist within the organisation and are they designed to deliver organisational performance?

► **Role definition:** Are there clearly defined roles and responsibilities with clear accountabilities?

► **Spread of work:** How is the work distributed between various roles? Is there duplication of effort?

► **Relation to processes:** Which roles relate to which processes? Do the roles and processes match together well? Are there any hidden activities and roles that are not documented?

► **Delivery against job description:** Are people doing what is documented in their job description?

Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Key data sources

- HR strategy documents
- People by grade and location
- Job descriptions
- FTE analysis

Note: The FTE Analysis Tool (OD002) will be useful in analysing role allocation by process.

Note: The RACI Tool (OD003) will be useful in analysing roles and responsibilities.



Example findings

- FTE analysis shows that people are spending 95% of their time on non-value-adding activities.

STEP 2 : ANALYSE INFORMATION-CAPABILITY

Understand roles and organisation design implications around this
Capability – the skills of people in the organisation

Key questions

- **Skills and knowledge:** What are the key skills and knowledge that are important to the organisation to drive competitive advantage? Is learning & development aligned? Do people have the right skills and abilities to do their job?
- **Learning & development:** Is there a learning & development strategy in place? Who is trained, when and how?
- **Note:** If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Key data sources

- Learning & development strategy
- HR strategy documents
- Training brochures
- Training analytics (such as spend per head)
- Leadership development guides
- Skill and capabilities framework

Example findings

- If an organisation wants to drive a health and safety culture and introduces the new role of health and safety champion then it needs health and safety training in place to build the capability.



STEP 2 : ANALYSE INFORMATION-RESOURCES

Understand the current state baseline resource requirements

Resources – the people who drive the organisation

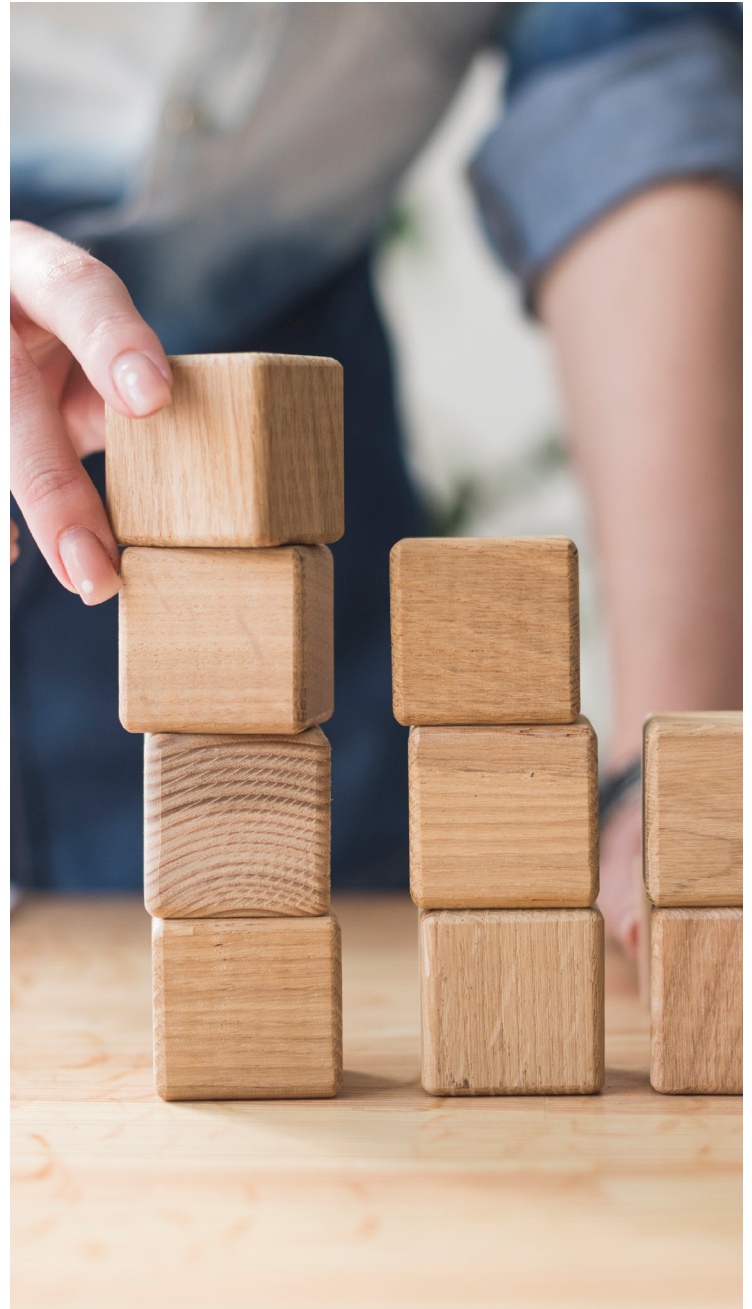
Key questions

- ▶ **Demographics:** What do the workforce demographics look like? (For example, age, gender, ethnicity, length of service). What are the org design implications of the demographics?
- ▶ **Headcounts:** What are the headcounts in the different parts of the organisation? Do they align with the organisation's focus? How many full time equivalents are required by process, activity and function?
- ▶ **Recruitment:** What is the recruitment plan? What does staff turnover look like? What implications does this have for org design?
- ▶ **Retention:** What are the retention statistics? What implications does this have for org design?
- ▶ **Note:** If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Key data sources

- ▶ Resourcing plans
- ▶ HR strategy documents
- ▶ Recruitment plan
- ▶ Staff retention analytics
- ▶ Workforce demographics (age, gender, ethnicity, etc.)
- ▶ People by grade and location
- ▶ FTE analysis by process

Note: The FTE Analysis Tool (OD002) will be useful in understanding headcount.



Example findings

- ▶ If the headcount of an organisation largely falls in the USA when the majority of work happens in Europe, then the balance should probably be adjusted.



STEP 2 : ANALYSE INFORMATION PROCESS

Understand how structure, roles, capabilities and resources need to align with process

Process – the arrangement of tasks and activities to support the strategy of the organisation

Key questions

- ▶ **Understanding process:** What are the key business processes that support the overall organisational value chain? How efficient are the high level processes? Is there overlap and duplication in the work done between processes? Is there an unacceptable number of errors / re-works? Could efficiency be improved by closer alignment with the organisation design?
- ▶ **Alignment with structure:** Do the reporting lines and spans of influence, control, accountability, support align with the processes?
- ▶ **Alignment with roles:** Do the roles in the organisation design align with the processes? Are the activities spread appropriately and efficiently between roles?
- ▶ **Alignment with capability:** Do the people in the organisation have the right capabilities to execute the processes?
- ▶ **Alignment with resources:** Are the right resources in place to support the processes?

Key data sources

- ▶ Process maps and documentation
- ▶ Data / volumetric models
- ▶ Process efficiency metrics (number of errors / handoffs, turnaround times)
- ▶ FTE analysis by process
- ▶ Exit interview notes

Example findings

- ▶ The same finance processes happening across the world in isolation could cause inefficiency when they could be brought together in one shared service centre.

STEP 2 : ANALYSE INFORMATION – GOVERNANCE

Understand how structure, roles, capabilities and resources need to align with governance

Governance – the decision making structure that supports the organisational strategy

Key questions

- ▶ Understanding governance: What does the governance structure look like? How layered is the governance structure? How does this relate to org design? What are the metrics that the organisation currently tracks to measure success? Will these have an influence on org design? What are the information flows? Do they make sense? Are they transparent? Can the org design support / improve information flows? How are decisions made? Are they made at an appropriate level? Are they made in a timely fashion? How can the org design be aligned? How is approval granted? Is the approval process clear and logical? Are industry approvals required? How can the org design be aligned? What controls are currently in place? (For example, spend limits). How can the org design be aligned?
- ▶ Alignment with structure: Does the governance structure align with reporting lines and spans of influence, control, accountability, support?
- ▶ Alignment with roles: Does the governance structure align with the organisational roles and responsibilities?
- ▶ Alignment with resources: Are the right people employed to support the governance structure?
- ▶ Alignment with capabilities: Are the right capabilities in place to drive strong governance?

Key data sources

- ▶ Governance structure diagrams
- ▶ Exit interview notes
- ▶ Investor reports, minutes from shareholder meetings etc.
- ▶ Board reports and minutes
- ▶ Dashboards and scorecards
- ▶ Financial reports
- ▶ Minutes from exec meetings
- ▶ Audit reports / internal audit reports

Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Example findings

- ▶ If an organisation is focused on small expert teams innovating and getting products to market quickly, then a highly layered governance structure will slow this down.

STEP 2 : ANALYSE INFORMATION

INFRASTRUCTURE

Understand how structure, roles, capabilities and resources need to align with infrastructure

Infrastructure – the underlying framework or foundation for the organisation, such as systems, location etc. **Systems** – the technical information systems (IS) supporting the organisational processes and strategy. **Location** – the physical and virtual location of resources supporting the organisation design and strategy

Key questions

- ▶ **Understanding IS:** What does the organisation's core technical infrastructure look like? How dependent is the organisation on its infrastructure for business results? How flexible is the technical infrastructure to support changing business requirements? How scalable is the infrastructure? How aligned is the infrastructure to the organisation design?
- ▶ **Understanding location:** Where are different parts of the organisation located? Where are employees based for their work? (In the office, at a client site, at home...) How can this be better aligned with the organisation design?
- ▶ **Alignment with structure:** Does the infrastructure support the organisational reporting lines and spans of influence, control, accountability, support? Are managers and supervisors located with their teams?
- ▶ **Alignment with roles:** Do individuals and teams have the technology required and are based in the right place to deliver to their role description effectively?
- ▶ **Alignment with resources and capabilities:** Is the technical infrastructure in the right location given the organisation of resources? Do employees have the capability to use the technical systems? Are the right people with the right skills available where the organisation is located?



Key data sources

- ▶ Reports on technical infrastructure usage
- ▶ Surveys on support functions and infrastructure
- ▶ Exit interview notes
- ▶ People by grade and location

Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.



STEP 2 : ANALYSE INFORMATION PERFORMANCE

Understand how structure, roles, capabilities and resources need to align with performance

Key questions

- ▶ **Understanding performance:** What incentives and rewards exist to align individual performance with business performance objectives and KPIs? What processes are in place for measuring performance?
- ▶ **Alignment with capabilities:** Do performance measurement and recognition clearly relate to the organisational strategies for building capabilities and learning & development?
- ▶ **Alignment with structure:** Do the performance measurement and recognition provisions align with the organisational structure?
- ▶ **Alignment with roles and resources:** Do the performance measurement and recognition criteria clearly relate the organisational KPIs & objectives to roles?

Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Key data sources

- ▶ HR strategy documents
- ▶ Competency framework
- ▶ Performance management documentation

Example findings

- ▶ When the role of customer complaints handler was changed to customer service executive, performance measures became misaligned. The customer service executive should be measured on customer satisfaction levels rather than on the number of complaints processed per hour.

STEP 2 : ANALYSE INFORMATION

CULTURE

Understand how structure, roles, capability and resources need to align with culture

Culture – the values, traditions, customs, stories, habits and attitudes supporting the organisation design

Key questions

- ▶ **Understanding culture:** What are the core values of the organisation? What are the distinctive cultural norms in the organisation? (Behaviours, rituals, etc.) How do people interact, communicate and share information? Are there any prominent groups within the organisation? How are decisions made? How do leadership behave? Is there consistency in the culture across the organisation? Does the organisation have the flexibility to change and undergo organisation design? What is the appetite for change in the organisation?
- ▶ **Alignment with structure:** Do the culture and organisational structure support each other?
- ▶ **Alignment with roles:** Do the roles and responsibilities fit in with the culture?
- ▶ **Alignment with resources:** What is the relationship between the culture and the workforce demographics? How can organisation design improve this relationship?
- ▶ **Alignment with capabilities:** Does the culture support the development of the right capabilities in the workforce?

Key data sources

- ▶ Values documents
- ▶ Exit interview notes
- ▶ Minutes from “open house” type meetings
- ▶ People survey results

Example findings

- ▶ If an organisation is a matrix structure, requiring cross-division reporting and activity but people tend to operate in silos then the organisation will not achieve maximum success.

Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.



STEP 2 : ANALYSE INFORMATION – TALENT

Understand how organisation, roles, capabilities and resources need to align with talent
Talent – how the top people in the organisation are equipped and motivated to deliver organisational strategy

Key questions

- ▶ **Understanding talent:** What leadership development programmes exist? What graduate programmes exist? Are there clearly mapped career paths? Are international Key data sources?
- ▶ **Alignment with roles:** Are roles and career paths clearly aligned?
- ▶ **Alignment with resources and structure:** Are the right individuals in the right jobs and on the right international assignments?
- ▶ **Alignment with capabilities:** Do leadership and graduate programmes support the development of leaders of the organisation?
- ▶ **Grade structure:** What is the grade structure of the organisation? Does this align with strategy?

Key data sources

- ▶ HR strategy documents
- ▶ Leadership training and guides
- ▶ Graduate programme documentation
- ▶ Talent management strategy
- ▶ Grade structure and definitions



Note: If you are designing a completely new organisation, try to use examples of external best practice to inform your analysis and recommendations.

Example findings

- ▶ If new leadership roles are created in an organisation design, then leadership training and programmes need to align with these roles.

STEP 3 : REPORT KEY FINDINGS – KEY FINDINGS TEMPLATE

- ▶ Condense the key findings from the current state assessment by classifying them in terms of whether elements of the organisation need to be re-invented, improved or sustained.
- ▶ The key findings can then be used to inform the design of the future organisation.

Examples

Element	Re-invent	Improve	Sustain	Comments and recommendations
Structure: headquarters	●			The organisation operates mainly in Asia while headquarters are in Europe. This does not make sense.
Roles: role-based activities		●		FTE analysis shows that people are spending 95% of their time on non-value-adding activities. The focus of roles needs adjusting.
Capability: health & safety culture	●			There is no health & safety training in place to compliment the organisational focus on health & safety capabilities.
Resources: headcount			●	The headcount largely falls in the USA when the majority of work happens in Europe so the balance needs to be adjusted.
Process: finance processes	●			Finance processes are duplicated across the world. Bringing them together in a shared service centre could increase efficiency.
Governance: decisions		●		The organisation is focused on innovation and getting products to market quickly while the highly layered governance structure slows this down. Layers need to be removed from the organisation to speed up decision making.
Infrastructure: systems – location of IT services	●			Staff rely heavily on face to face interaction with IT specialists while IT Services are based in India. IT Services should be relocated to be closer to staff.
Infrastructure: location – property portfolio		●		The majority of people in the organisation work virtually so the property portfolio is not required and should be reduced.
Performance: customer service executives		●		Performance needs to be measured based on customer service rather than number of complaints handled to be in line with shift in focus on transactions to focus on customer service.
Culture: values and norms		●		The matrix structure and requirement for cross-division reporting and activity is not supported by the cultural habit of working in silos.
Talent: leadership training			●	New leadership roles have been created so leadership training should be developed.

APPENDI X B:

CRISIS CASH FLOW MANAGEMENT TOOL



USE CASH FLOW PLANNING FOR GOOD STRATEGIC DECISIONS

EFFECTIVE CASH FLOW MANAGEMENT IS CRITICAL TO SURVIVAL

Proper management of your cash flow can make or break your business, especially during challenging times.

- ▶ Without a real sense of your cash flow, you cannot move forward. This coupled with an understanding of the current state of the organization, will better equip your organization to navigate through this crisis.

Start with your cash flow forecast - your projected sources and uses of cash, then revisit cash flow best practices.

- ▶ The simple 12-month cash flow statement is attached to assist with this step.

Consider adding an expense line item called COVID-19, and capturing ALL information directly related to COVID-19.

- ▶ This includes any related material & supplies, as well as any of your staff and personal time spent dealing with the crisis. Calculate any extra time employees are spending at COVID-19 related meetings- whether it be a safety meeting or a strategy session.
- ▶ A monthly cashflow projection will allow you to get through this trying time.
- ▶ As a minimum, a cash flow projection will allow you to understand if a capital injection is required and if so how much and when you need to obtain the funding.
- ▶ It allows you to consider and plan how to implement efficiencies within your organization.
- ▶ If your projection indicates that your business will have a cash flows shortage you can assess whether to obtain debt or equity finance.

Understand your operational cash flow requirements

Know how cash will be sourced and utilized in the months ahead

COVID 19 Impact

Advantages of the approach



FINANCIAL STATEMENT PREPARATION

Financial statements are a summary of the financial information of your business and can only be prepared by an Accountant. Commonly called attestation services, there are three different types of opinions attached to financial statements: audit, review and compilation. Each has a different level of assurance associated with it, meaning the level of reliance that can be placed upon it by third parties. Along with each level of assurance is an increase in the amount of analysis that is required, and also the cost.

Let's have a conversation!!

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Tax Consultancy

Nowadays tax has been played an important role to every business. To prevent surprising losses related to tax, tax advice needs to be done before you enter into business transactions.

Dawgen Global can help!!

A major part of our work is devoted to minimising our client's tax while remaining within the legal boundaries. Our client's affairs are regularly reviewed to ensure that they are organized as tax effectively as possible. To ensure that our advice is current and relevant, our professional team carries out extensive and ongoing professional development, reviews new legislation, case law and tax rulings.

We are aware that there is increasing focus in the marketplace and by tax authorities on the policy issues surrounding tax planning and specifically on how entities structure their affairs to mitigate their tax liabilities. Therefore, our tax planning advice must be given in the knowledge of the facts and circumstances of the client concerned, must always involve discussion of the wider consideration of all risks involved, including how our client's actions might be viewed by others.

Dawgen Global tax consulting services can be performed in the wide range of areas.

- **All Taxes**
- **Indirect Taxes**
- **Corporate Taxes**

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CHANNEL 105

BRITISH VIRGIN IS.

CHANNEL 129

CAYMAN ISLANDS

CHANNEL 149

CURACAO

CHANNEL 129

DOMINICA

CHANNEL 129

GRENADA

CHANNEL 228

ST LUCIA

CHANNEL 131

ST VINCENT

CHANNEL 130

TRINIDAD

CHANNEL 135

TRINIDAD LEGACY

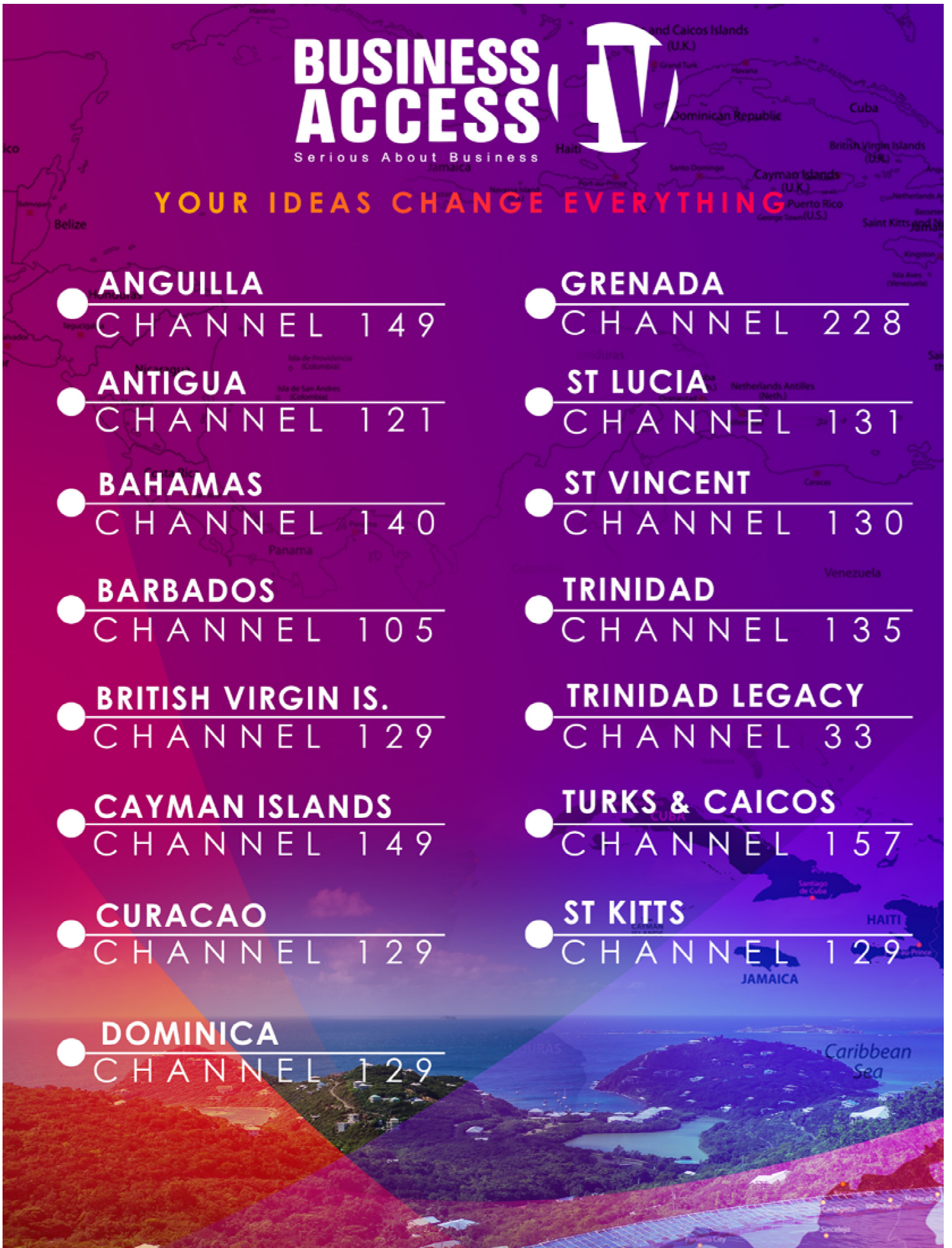
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TURKS & CAICOS

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Dawgen Global is an integrated multidisciplinary professional service firm. We are integrated as one firm and provide several professional services including: Audit, Accounting, Legal & Tax, IT, Risk and Advisory.



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